

**MINTO PUBLIC SCHOOL DISTRICT NO. 20
MINTO, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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MINTO PUBLIC SCHOOL DISTRICT NO. 20
ROSTER OF SCHOOL OFFICIALS (UNAUDITED)
JUNE 30, 2016

Doug Ulland	President
Helen Zikmund	Vice President
Brian Dauksavage	Board Member
Anton Gudajtes	Board Member
Brad Narloch	Board Member
Rod Osowski	Board Member
Kristine Stoltman	Board Member
Linda Lutovsky	Superintendent
Shane Robinson	High School Principal
Linda Lutovsky	Elementary School Principal
Sarah Tervo	Business Manager



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Minto Public School District No. 20
Minto, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minto Public School District No. 20 as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Minto Public School District No. 20 as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employers share of net pension liability and schedule of employers contributions to ND Teachers Fund for Retirement and North Dakota Public Employee Retirement System as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The roster of school officials and the combining non-major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The roster of school officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2017 on our consideration of Minto Public School District No. 20's internal control over financial reporting and on our tests on its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minto Public School District No. 20's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

January 20, 2017

MINTO PUBLIC SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016

The discussion and analysis of Minto Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- Net Position of the District increased \$405,985 as a result of current year operations.
- Governmental net position totaled \$353,222 .
- Total revenues from all sources were \$4,004,487.
- Total expenses were \$3,598,502.
- The District's General Fund had \$3,250,563 in total revenues and \$3,091,104 in expenditures.
- Overall the General Fund balance increased by \$708,923 for the year ended June 30, 2016.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred inflows/outflows of resources and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary funds.

Governmental funds consist of the general fund, food service fund, capital projects fund, debt service fund and the special reserve fund. The District's fiduciary funds consist of one agency fund, the student activities fund, which accounts for the financial transactions related to the District's student activity programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As indicated in the financial highlights, the District's net position increased by \$405,985 for the year ended June 30, 2016. Net position may serve over time as a useful indicator of the District's financial position.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, equipment and supplies over \$5,000 less accumulated depreciation and any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Table 1 provides a summary of the District's net position as of June 30, 2016 and 2015.

Table 1

	<u>6/30/2016</u>	<u>6/30/2015</u>
ASSETS		
Current Assets	\$ 2,255,938	\$ 1,091,401
Noncurrent Assets	6,277,376	2,363,701
TOTAL ASSETS	<u>8,533,314</u>	<u>3,455,102</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>500,575</u>	<u>215,632</u>
LIABILITIES		
Current Liabilities	404,265	1,258,629
Noncurrent Liabilities	8,219,273	2,200,195
TOTAL LIABILITIES	<u>8,623,538</u>	<u>3,458,824</u>
DEFERRED INFLOWS OF RESOURCES	<u>57,129</u>	<u>264,673</u>
NET POSITION		
Net Investment in Capital Assets	687,387	1,243,130
Restricted - Special Reserve	70,315	70,210
Restricted - Debt Service	658,171	415,350
Unrestricted	(1,062,651)	(1,781,453)
TOTAL NET POSITION	<u>\$ 353,222</u>	<u>\$ (52,763)</u>

MINTO PUBLIC SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Table 2 provides a comparative summary of the governmental activities for the years ended June 30, 2016 and 2015:

Table 2

	<u>6/30/2016</u>	<u>6/30/2015</u>
REVENUES		
Program revenues		
Operating grants and contributions	\$ 479,158	\$ 414,787
Charges for services	67,976	65,237
General Revenues		
Property taxes	924,956	922,471
State aid	2,477,293	2,289,522
Interest income	1,409	1,168
Other revenues	53,695	43,302
TOTAL REVENUES	<u>4,004,487</u>	<u>3,736,487</u>
EXPENSES		
Regular instruction	1,804,482	1,441,289
Federal programs	185,709	281,006
Special instruction	157,302	157,298
Operations and maintenance	628,298	607,269
Other programs and services	128,940	111,286
Tuition and assessments	304,963	284,218
Food services	156,066	159,607
Interest on long-term debt	232,742	2,073
Depreciation-unallocated	-	46,833
TOTAL EXPENSES	<u>3,598,502</u>	<u>3,090,879</u>
CHANGES IN NET POSITION	<u>\$ 405,985</u>	<u>\$ 645,608</u>

Property taxes constitute 23.10% and 24.69%, state aid 61.86% and 61.27%, operating grants and contributions 11.97% and 11.10%, and charges for services make up 1.70% and 1.75% of the total revenues of governmental activities of the District for fiscal years 2016 and 2015, respectively.

Regular instruction comprised 50.15% and 46.63% of District expenses for fiscal years 2016 and 2015, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. As of June 30, 2016, the unassigned fund balance of the District's general fund was \$1,114,326.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

GENERAL FUND BUDGETING HIGHLIGHTS

During the course of the 2016 fiscal year, the District received \$21,181 less revenues and incurred \$210,075 less expenditures than budgeted. This indicates that the users of the District's budget and financial statements were well informed.

CAPITAL ASSETS

As of June 30, 2016, the District had \$6,277,376 invested in capital assets. Table 3 shows the activity of capital assets for the year ended June 30, 2016.

Table 3

Governmental Activities	Balance 07-01-15	Additions	Disposals	Balance 06-30-16
Capital Assets Not Being Depreciated				
Land	\$ 4,325	\$ -	\$ -	\$ 4,325
Construction in Progress	2,002,061	-	2,002,061	-
Total Capital Assets Not Being Depreciated	<u>2,006,386</u>	<u>-</u>	<u>2,002,061</u>	<u>4,325</u>
Capital Assets Being Depreciated				
Buildings	874,562	5,995,830	-	6,870,392
Vehicles & Equipment	472,725	22,469	-	495,194
Total Capital Assets Being Depreciated	<u>1,347,287</u>	<u>6,018,299</u>	<u>-</u>	<u>7,365,586</u>
Less Accumulated Depreciation				
Buildings	747,813	71,829	-	819,642
Vehicles & Equipment	242,159	30,734	-	272,893
Total Accumulated Depreciation	<u>989,972</u>	<u>102,563</u>	<u>-</u>	<u>1,092,535</u>
Net Capital Assets Being Depreciated	<u>357,315</u>	<u>5,915,736</u>	<u>-</u>	<u>6,273,051</u>
Net Capital Assets for Governmental Activities	<u>\$ 2,363,701</u>	<u>\$ 5,915,736</u>	<u>\$ 2,002,061</u>	<u>\$ 6,277,376</u>

The District completed a school addition and renovation which accounts for the increase in buildings.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

DEBT ADMINISTRATION

As of June 30, 2016, the District had \$8,423,485 in outstanding long-term debt, \$204,212 due within one year. The District had an overall increased in long-term debt of \$6,219,458 from June 30, 2015. See below and Note 4 for a description of the District's long-term debt:

	Interest Rate	Original Maturity	Balance 7/1/2015	Additions	Retirements	Balance 6/30/2016	Due Within One Year
General Obligation School Building Bonds Series 2015	1% - 3.5%	8/1/2034	\$ -	\$ 575,000	\$ -	\$ 575,000	\$ 40,000
General Obligation State School Construction Fund Bond Series 2015	2%	8/1/2035	-	5,220,000	96,090	5,123,910	160,164
Special Assessments- City of Minto	4.5% - 5.75%		35,276	-	3,832	31,444	4,048
Compensated Absences			8,450	1,210	-	9,660	-
Net Pension Liability			2,160,301	1,055,882	532,712	2,683,471	-
Total Long-Term Liabilities			<u>\$ 2,204,027</u>	<u>\$ 6,852,092</u>	<u>\$ 632,634</u>	<u>\$ 8,423,485</u>	<u>\$ 204,212</u>

FOR THE FUTURE:

Currently the District does not foresee any significant changes in the budget or activities performed by the District. Enrollments have been holding steady with a slight increase in growth.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Minto Public School District, PO Box 376, Minto, ND 58261-0376.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,036,858
Due from State	136,892
Taxes Receivable	49,402
Funds Held by the County	32,786
Total Current Assets	<u>2,255,938</u>
Non-Current Assets	
Capital Assets	7,369,911
Less Accumulated Depreciation	<u>(1,092,535)</u>
Total Non-Current Assets	<u>6,277,376</u>
TOTAL ASSETS	<u><u>8,533,314</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan-TFFR	443,184
Cost Sharing Defined Benefit Pension Plan-NDPERS	57,391
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>500,575</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	40,140
Accrued Salaries and Withholdings	110,931
Accrued Interest Payable	48,982
Current Portion of Long-Term Debt	204,212
Total Current Liabilities	<u>404,265</u>
Non-Current Liabilities	
Bonds Payable (Net of Current Portion)	5,498,746
Special Assessments (Net of Current Portion)	27,396
Compensated Absences	9,660
Net Pension Liability	2,683,471
Total Non-Current Liabilities	<u>8,219,273</u>
TOTAL LIABILITIES	<u>8,623,538</u>
 DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan-TFFR	27,210
Cost Sharing Defined Benefit Pension Plan-NDPERS	29,919
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>57,129</u>
 NET POSITION	
Net Investment in Capital Assets	687,387
Restricted - Special Reserve	70,315
Restricted - Debt Service	658,171
Unrestricted	(1,062,651)
TOTAL NET POSITION	<u><u>\$ 353,222</u></u>

See Notes to the Basic Financial Statements

MINTO PUBLIC SCHOOL DISTRICT NO. 20
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
Regular Instruction	\$ 1,804,482	\$ -	\$ -	\$ (1,804,482)
Federal Programs	185,709	-	204,130	18,421
Special Instruction	157,302	-	-	(157,302)
Operations and Maintenance	628,298	-	-	(628,298)
Other Programs and Services	128,940	-	110,490	(18,450)
Tuition and Assessments	304,963	-	-	(304,963)
Food Service	156,066	67,976	97,877	9,787
Interest on Long-Term Debt	232,742	-	66,661	(166,081)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 3,598,502</u>	<u>\$ 67,976</u>	<u>\$ 479,158</u>	<u>(3,051,368)</u>
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				413,989
Property Taxes, Levied for Debt Service				450,163
Property Taxes, Levied for Capital Projects				60,804
State Aid not Restricted to a Specific Function				2,477,293
Interest Income				1,409
Other Revenues				53,695
TOTAL GENERAL REVENUES				<u>3,457,353</u>
Change in Net Position				405,985
Net Position-Beginning				<u>(52,763)</u>
Net Position-Ending				<u>\$ 353,222</u>

See Notes to the Basic Financial Statements

MINTO PUBLIC SCHOOL DISTRICT NO. 20
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,107,040	\$ 692,662	\$ 158,740	\$ 78,416	\$ 2,036,858
Due from State	132,684	-	-	4,208	136,892
Taxes Receivable	22,625	23,895	2,882	-	49,402
Funds Held by the County	16,329	14,491	1,966	-	32,786
Due from Other Funds	-	-	-	10,997	10,997
	<u>\$ 1,278,678</u>	<u>\$ 731,048</u>	<u>\$ 163,588</u>	<u>\$ 93,621</u>	<u>\$ 2,266,935</u>
TOTAL ASSETS					
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 19,799	\$ -	\$ 20,341	\$ -	\$ 40,140
Accrued Salaries and Withholdings	110,931	-	-	-	110,931
Due to Other Funds	10,997	-	-	-	10,997
	<u>141,727</u>	<u>-</u>	<u>20,341</u>	<u>-</u>	<u>162,068</u>
TOTAL LIABILITIES					
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes	22,625	23,895	2,882	-	49,402
	<u>22,625</u>	<u>23,895</u>	<u>2,882</u>	<u>-</u>	<u>49,402</u>
TOTAL DEFERRED INFLOWS OF RESOURCES					
FUND BALANCES					
Restricted:					
Capital Projects	-	-	140,365	-	140,365
Debt Service	-	707,153	-	-	707,153
Special Reserve	-	-	-	70,315	70,315
Assigned:					
School Lunch	-	-	-	23,306	23,306
Unassigned	1,114,326	-	-	-	1,114,326
	<u>1,114,326</u>	<u>707,153</u>	<u>140,365</u>	<u>93,621</u>	<u>2,055,465</u>
TOTAL FUND BALANCES					
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
	<u>\$ 1,278,678</u>	<u>\$ 731,048</u>	<u>\$ 163,588</u>	<u>\$ 93,621</u>	<u>\$ 2,266,935</u>

See Notes to the Basic Financial Statements

MINTO PUBLIC SCHOOL DISTRICT NO. 20
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Total Fund Balances - Governmental Funds \$2,055,465

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost	\$ 7,369,911	
Less: accumulated depreciation	<u>(1,092,535)</u>	
Net		6,277,376

Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds. 443,446

Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 49,402

Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:

Compensated Absences	(9,660)
Bonds Payable	(5,698,910)
Special Assessments	(31,444)
Net Pension Liability	(2,683,471)

Interest payable is not due and payable in the current period and, therefore is not reported as a liability in the governmental fund (48,982)

Total Net Position - Governmental Activities \$ 353,222

See Notes to the Basic Financial Statements

MINTO PUBLIC SCHOOL DISTRICT NO. 20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 410,742	\$ 440,585	\$ 58,070	\$ -	\$ 909,397
Revenue from State Sources	2,587,783	-	-	4,446	2,592,229
Revenue from Federal Sources	204,130	-	-	93,431	297,561
Interest Income	1,304	-	-	105	1,409
Other Sources	46,604	66,661	7,091	67,976	188,332
Total Revenue	<u>3,250,563</u>	<u>507,246</u>	<u>65,161</u>	<u>165,958</u>	<u>3,988,928</u>
EXPENDITURES					
Current:					
Regular Instruction	1,700,760	-	-	-	1,700,760
Federal Programs	185,709	-	-	-	185,709
Special Instruction	157,302	-	-	-	157,302
Undistributed Expenses	628,244	-	54	-	628,298
Other Programs and Services	98,206	-	-	-	98,206
Tuition and Assessments	304,963	-	-	-	304,963
Food Service	-	-	-	156,066	156,066
Debt Service:					
Principal Retirement	-	96,090	3,832	-	99,922
Interest	-	119,353	1,874	-	121,227
Issuance Costs	-	-	66,971	-	66,971
Capital Outlay	15,920	-	3,993,769	6,549	4,016,238
Total Expenditures	<u>3,091,104</u>	<u>215,443</u>	<u>4,066,500</u>	<u>162,615</u>	<u>7,535,662</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	159,459	291,803	(4,001,339)	3,343	(3,546,734)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	-	5,795,000	-	5,795,000
Bond issuance premium	-	-	4,438	-	4,438
Transfers In	558,464	-	-	9,000	567,464
Transfers Out	(9,000)	-	(558,464)	-	(567,464)
TOTAL OTHER FINANCING SOURCES (USES)	<u>549,464</u>	<u>-</u>	<u>5,240,974</u>	<u>9,000</u>	<u>5,799,438</u>
NET CHANGE IN FUND BALANCE	708,923	291,803	1,239,635	12,343	2,252,704
FUND BALANCE, BEGINNING OF YEAR	<u>405,403</u>	<u>415,350</u>	<u>(1,099,270)</u>	<u>81,278</u>	<u>(197,239)</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,114,326</u>	<u>\$ 707,153</u>	<u>\$ 140,365</u>	<u>\$ 93,621</u>	<u>\$ 2,055,465</u>

See Notes to the Basic Financial Statements

MINTO PUBLIC SCHOOL DISTRICT NO. 20
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds \$ 2,252,704

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital Outlay	\$ 4,016,238	
Depreciation Expense	<u>(102,563)</u>	3,913,675

Change in net pension liability (523,170)

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Net change in deferred property taxes	15,559
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Changes in deferred outflows and inflows of resources related to net pension liability	492,487
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Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	96,090
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Proceeds from bond issuances are a long-term liability in the statement of net position. They are netted against repayments of long-term debt which reduce long-term liabilities in the statement of net position.	(5,795,000)
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Changes in Compensated Absences	(1,210)
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Changes in Special Assessments	3,832
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest increased by \$48,982.	<u>(48,982)</u>
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Change in Net Position - Governmental Activities	<u>\$ 405,985</u>
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See Notes to the Basic Financial Statements

MINTO PUBLIC SCHOOL DISTRICT NO. 20
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUND
AS OF JUNE 30, 2016

	Student Activities Fund
ASSETS	
Cash and cash equivalents	\$ 56,691
TOTAL ASSETS	<u>\$ 56,691</u>
LIABILITIES	
Due to student groups	\$ 56,691
TOTAL LIABILITIES	<u>\$ 56,691</u>

See Notes to the Basic Financial Statements

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District, in accordance with government accounting standards, has developed criteria to determine whether outside agencies with activities which benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Assets and Liabilities – Fiduciary Fund at the fund financial statement level.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

Fund Financial Statements

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

The current financial resources measurement focus differs from the manner that the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Typically, aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide financial statements.

When fund balance resources are available for use, it is the government's policy to use restricted, committed, assigned, and unassigned resources as they are needed in that order.

Governmental Funds

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District's major governmental funds consist of the following:

General Fund

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Capital Projects

This fund accounts for special taxes levied for construction and significant repairs to the District's physical plant.

Debt Service Fund

This fund is used to account for the accumulation of resources for the payment of long-term debt principal and interest.

Non-major Governmental Funds

Typically, aggregated information for the non-major governmental funds is reported in a single column in the fund financial statements. The District's non-major funds consist of the following:

Food Service

This fund accounts for the financial resources associated with the District's lunch program.

Special Reserve

This fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Fiduciary Funds

The reporting focus of fiduciary funds is on net position and changes in net position. The District's fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds consist of the following:

Student Activity Fund

This fund accounts for the financial transactions related to the District's student activity programs.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Due from State

The amount Due from State consists of the final amounts due for the fiscal year for federal grant programs. Management has determined that an allowance for doubtful accounts is not necessary.

Revenues-Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Unearned Revenues

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR and NDPERS pension plans as well as amounts paid to the plans after the measurement date. See Note 5 for more details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable property taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR and NDPERS pension plans. See Note 5 for more details.

Budgets and Budgetary Accounting

The Board of Education adopts an “appropriated budget” on a basis consistent with GAAP for the General Fund, Special Reserve Fund, and Food Service Fund.

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information:

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

1. The superintendent prepares the School District budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on a modified accrual basis.
2. The School Board reviews the budget, makes any necessary revisions, and approves the final budget on or before August 15. The final budget must be filed with the county auditor by August 25 of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the schedule are the final authorized amounts as revised.
4. The balance of each appropriation becomes a part of the unappropriated balance at year end.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District has established a capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment and vehicles.

Capital assets not being depreciated include land. The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Property taxes

Property tax levies are set by the School Board each year and are certified to the County for collection in the following year. In North Dakota, counties act as collection agents for all property taxes.

The counties spread all levies over taxable property. Property taxes are attached as an enforceable lien on the real estate and become due January 1 of the year following the assessment date. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. All other taxes are fully offset by deferred revenue because they are not known to be available to finance current expenditures.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Compensated Absences

Certified staff of the District can accumulate sick leave up to a total of 110 days. Upon resignation or dismissal, the certified staff is paid \$10 for each unused day. At June 30, 2016, there were 966 unused sick days for a long-term liability of \$9,660.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher's Fund for Retirement (TFFR) and North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position/Fund Balance

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is "Net Position" on the government wide financial statements and "Fund Balance" on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority which is the School Board through a resolution.

Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the School Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

The first priority is to utilize the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

Minimum Fund Balance Policy

The Board of Education has not formally adopted a fund balance policy for the General Fund.

Significant Group Concentrations of Credit Risk

As of June 30, 2016, the District's receivables consist of amounts due from other governmental units and individuals primarily located within the State of North Dakota.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the district's governmental activities and its business-type activities, are eliminated in the statement of activities.

NOTE 2 - CASH AND INVESTMENTS

The District's funds are required to be deposited and invested with the designated depositories in accordance with the laws of North Dakota. North Dakota laws require all public deposits be protected by insurance, surety bond, or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Credit Risk

North Dakota laws restrict allowable investments for public funds in order to safeguard the principle on investments. North Dakota law authorizes political subdivisions including school districts to invest surplus funds in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.
- d) Obligations of the state.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 07-01-15	Additions	Disposals	Balance 06-30-16
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 4,325	\$ -	\$ -	\$ 4,325
Construction in Progress	2,002,061	-	2,002,061	-
Total Capital Assets Not Being Depreciated	<u>2,006,386</u>	<u>-</u>	<u>2,002,061</u>	<u>4,325</u>
Capital Assets Being Depreciated				
Buildings	874,562	5,995,830	-	6,870,392
Vehicles & Equipment	472,725	22,469	-	495,194
Total Capital Assets Being Depreciated	<u>1,347,287</u>	<u>6,018,299</u>	<u>-</u>	<u>7,365,586</u>
Less Accumulated Depreciation				
Buildings	747,813	71,829	-	819,642
Vehicles & Equipment	242,159	30,734	-	272,893
Total Accumulated Depreciation	<u>989,972</u>	<u>102,563</u>	<u>-</u>	<u>1,092,535</u>
Net Capital Assets Being Depreciated	<u>357,315</u>	<u>5,915,736</u>	<u>-</u>	<u>6,273,051</u>
Net Capital Assets for Governmental Activities	<u>\$ 2,363,701</u>	<u>\$ 5,915,736</u>	<u>\$ 2,002,061</u>	<u>\$ 6,277,376</u>

In the governmental activities statement of activities, depreciation expense was charged to the following governmental functions:

Regular Instruction	Depreciation \$ 71,829
Transportation	30,734
Total	<u>\$ 102,563</u>

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term indebtedness of the District for the year ended June 30, 2016:

	Interest Rate	Original Maturity	Balance 7/1/2015	Additions	Retirements	Balance 6/30/2016	Due Within One Year
General Obligation School Building Bonds Series 2015	1% - 3.5%	8/1/2034	\$ -	\$ 575,000	\$ -	\$ 575,000	\$ 40,000
General Obligation State School Construction Fund Bond Series 2015	2%	8/1/2035	-	5,220,000	96,090	5,123,910	160,164
Special Assessments- City of Minto	4.5% - 5.75%		35,276	-	3,832	31,444	4,048
Compensated Absences			8,450	1,210	-	9,660	-
Net Pension Liability			2,160,301	1,055,882	532,712	2,683,471	-
Total Long-Term Liabilities			<u>\$2,204,027</u>	<u>\$6,852,092</u>	<u>\$ 632,634</u>	<u>\$8,423,485</u>	<u>\$ 204,212</u>

Special assessments are payable to the City of Minto and interest rates vary from 4.5% to 5.75%.

The General Obligation State School Construction Fund Bond Series 2015 borrowing interest rate will be fixed at 5% until July 1, 2025. The yield to the school district will be 2% until July 1, 2025, via state buydown funds. After that time, the rate will be negotiated between the school district and the Bank of North Dakota.

Annual debt service requirements to maturity for the long-term debt are as follows:

Year Ending June 30	Special Assessments		
	Principal	Interest	Total
2017	\$ 4,048	\$ 1,658	\$ 5,706
2018	4,272	1,433	5,705
2019	4,511	1,195	5,706
2020	4,763	942	5,705
2021	5,030	677	5,707
2022-2026	3,927	1,648	5,575
2027-2031	4,893	680	5,573
Totals	<u>\$ 31,444</u>	<u>\$ 8,233</u>	<u>\$ 39,677</u>

Year Ending June 30	2015 GO		
	Principal	Interest	Total
2017	\$ 40,000	\$ 14,880	\$ 54,880
2018	25,000	14,555	39,555
2019	25,000	14,305	39,305
2020	25,000	13,905	38,905
2021	25,000	13,355	38,355
2022-2026	135,000	47,865	182,865
2027-2031	155,000	43,845	198,845
2032-2036	145,000	16,100	161,100
Totals	<u>\$ 575,000</u>	<u>\$ 178,810</u>	<u>\$ 753,810</u>

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Year Ending <u>June 30</u>	Construction Fund Bonds 2015		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 160,164	\$ 101,687	\$ 261,851
2018	168,273	98,443	266,716
2019	176,791	95,037	271,828
2020	185,741	91,457	277,198
2021	195,145	87,695	282,840
2022-2026	1,134,301	375,044	1,509,345
2027-2031	1,452,001	247,965	1,699,966
2032-2036	<u>1,651,494</u>	<u>85,289</u>	<u>1,736,783</u>
Totals	<u>\$ 5,123,910</u>	<u>\$ 1,182,617</u>	<u>\$ 6,306,527</u>

NOTE 5 - PENSION PLAN

North Dakota Teacher's Fund For Retirement

The following brief description of the North Dakota Teacher's Fund for Retirement (TFFR) is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis. *(The School District has agreed to pay up to \$1,000 of the 12.75% of the members assessments in lieu of a salary increase).*

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 1/2. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Pension Costs

At June 30, 2016, the District reported a liability of \$2,412,954 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2015, the Employer's proportion was 0.184497 percent which was an increase of 0.000849 percent from its proportion measured at July 1, 2014.

For the year ended June 30, 2016, the Employer recognized pension expense of \$161,475. At June 30, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,812	\$ -
Changes in actuarial assumptions	270,933	-
Difference between projected and actual investment earnings	-	27,210
Changes in proportion	8,433	-
Contributions paid to TFFR subsequent to the measurement date	148,006	-
Total	\$ 443,184	\$ 27,210

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

\$148,006 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The number also includes employee contributions made by the employer per Internal Revenue Code Section 414(h)(2).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2017	\$ 29,079
2018	29,078
2019	29,078
2020	83,982
2021	49,606
Thereafter	47,145

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	57.00%	7.53%
Global Fixed Income	22.00%	1.28%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015. The discount rate used to measure the total pension liability changed from 8 percent to 7.75 percent based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

Pension Liability Sensitivity

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate:

	1% Decrease in Discount Rate 6.75%	Discount Rate 7.75%	1% Increase in Discount Rate 8.75%
School's proportionate share of the TFFR net pension liability:	\$ 3,188,832	\$ 2,412,954	\$ 1,765,887

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. That report may be obtained by writing to Teacher's Fund for Retirement, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota 58507-7100.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

North Dakota Public Employees' Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information. NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; PO Box 1214; Bismarck ND 58502-1214.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 25 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$270,518 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the District's proportion was 0.039783 percent which was an increase of 0.002602 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$28,977. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,848	\$ -
Changes in actuarial assumptions	-	24,102
Difference between projected and actual investment earnings	-	5,710
Changes in proportion	15,992	107
Contributions paid to NDPERS subsequent to the measurement date	33,551	-
Total	\$ 57,391	\$ 29,919

\$33,551 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2017	\$ (4,134)
2018	(4,134)
2019	(4,134)
2020	7,666
2021	(1,343)
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.90%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.52%
International Fixed Inc.	5.00%	0.45%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	7.00%	8.00%	9.00%
School's proportionate share of the NDPERS net pension liability:	\$ 414,825	\$ 270,518	\$ 152,448

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District's property insurance is through the North Dakota State Fire and Tornado Fund, the liability insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workers' Compensation Bureau. Other risks are covered by private insurance.

NOTE 8 - INTERFUND TRANSFERS AND BALANCES

Schedule of transfers

Transfer from General Fund	
Special Revenue Fund-Lunch	<u>\$ 9,000</u>
Transfer to General Fund	
Capital Projects Fund	<u>\$ 558,464</u>

The transfer to the lunch fund was made to fund the deficit from 2016 operations.

The transfer from the capital projects fund was to reimburse the general fund for transfers to the capital projects while the District was waiting for the bond sale proceeds.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Inter fund balances

Due from other funds	
Food Service Fund	
Due from General fund	<u>\$ 10,997</u>
Due to other funds	
General Fund	
Due to Food Service Fund	<u>\$ 10,997</u>

NOTE 9 - NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2016 was \$6,705.

NOTE 10 - NEW PRONOUNCEMENTS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units, an Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on the entity's financial statements.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Property Taxes	\$ 404,068	\$ 404,068	\$ 410,742	\$ 6,674
Revenue from State Sources	2,641,942	2,641,942	2,587,783	(54,159)
Revenue from Federal Sources	204,234	204,234	204,130	(104)
Interest Income	-	-	1,304	1,304
Other Sources	21,500	21,500	46,604	25,104
TOTAL REVENUES	<u>3,271,744</u>	<u>3,271,744</u>	<u>3,250,563</u>	<u>(21,181)</u>
EXPENDITURES				
Current:				
Regular Instruction	1,751,035	1,751,035	1,700,760	50,275
Federal Programs	219,456	219,456	185,709	33,747
Special Instruction	194,000	194,000	157,302	36,698
Undistributed Expenses	616,288	616,288	628,244	(11,956)
Other Programs and Services	174,400	174,400	98,206	76,194
Tuition and Assessments	240,000	240,000	304,963	(64,963)
Capital Outlay	106,000	106,000	15,920	90,080
TOTAL EXPENDITURES	<u>3,301,179</u>	<u>3,301,179</u>	<u>3,091,104</u>	<u>210,075</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(29,435)</u>	<u>(29,435)</u>	<u>159,459</u>	<u>188,894</u>
OTHER SOURCES (USES)				
Transfers In	-	-	558,464	558,464
Transfers Out	-	-	(9,000)	(9,000)
TOTAL OTHER SOURCES (USES)	<u>-</u>	<u>-</u>	<u>549,464</u>	<u>549,464</u>
Net Change in Fund Balance	(29,435)	(29,435)	708,923	738,358
FUND BALANCE - JULY 1	<u>405,403</u>	<u>405,403</u>	<u>405,403</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 375,968</u>	<u>\$ 375,968</u>	<u>\$ 1,114,326</u>	<u>\$ 738,358</u>

See Notes to the Budgetary Comparison Schedule

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
AS OF JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Information

The Board of Education adopts an “appropriated budget” on a basis consistent with GAAP for the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for this fund.

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. The business manager along with the superintendent prepare the School District budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on a modified accrual basis.
2. The School Board reviews the budget, makes any necessary revisions, and approves the final budget on or before August 15. The final budget must be filed with the county auditor by August 25 of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the schedule are the final authorized amounts as revised.
5. The balance of each appropriation becomes a part of the unappropriated balance at year end.

NOTE 2 EXPENDITURES IN EXCESS OF BUDGET

	Budget	Actual	Excess
General Fund:			
Undistributed Expenses	\$ 616,288	\$ 628,244	\$ (11,956)
Tuition and Assessments	240,000	304,963	(64,963)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and the excess has no impact on the financial results of the District.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
SCHEDULE OF EMPLOYERS SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS (PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.184497%	\$ 2,412,954	\$ 1,133,127	212.95%	62.10%
2015	0.183648%	1,924,305	1,065,255	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.039783%	\$ 270,518	\$ 354,416	76.33%	77.15%
2015	0.037181%	235,996	313,204	75.35%	77.70%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

MINTO PUBLIC SCHOOL DISTRICT NO. 20
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO
ND TEACHERS FUND FOR RETIREMENT AND
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 148,006	\$ 148,006	\$ -	\$ 1,160,831	12.75%
2015	144,474	144,474	-	1,133,127	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 33,551	\$ 33,551	\$ -	\$ 406,601	8.25%
2015	26,793	26,793	-	354,416	7.6%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

MINTO PUBLIC SCHOOL DISTRICT NO. 20
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

NDPERS

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

MINTO PUBLIC SCHOOL DISTRICT NO. 20
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2016

	<u>Food Service Fund</u>	<u>Special Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 8,101	\$70,315	\$ 78,416
Due from Other Funds	10,997	-	10,997
Due from the State	4,208	-	4,208
TOTAL ASSETS	<u><u>\$23,306</u></u>	<u><u>\$70,315</u></u>	<u><u>\$ 93,621</u></u>
FUND BALANCES			
Restricted:			
Special Reserve	\$ -	\$70,315	\$ 70,315
Assigned:			
School Lunch	<u>23,306</u>	<u>-</u>	<u>23,306</u>
TOTAL FUND BALANCES	<u>23,306</u>	<u>70,315</u>	<u>93,621</u>
TOTAL FUND BALANCES	<u><u>\$23,306</u></u>	<u><u>\$70,315</u></u>	<u><u>\$ 93,621</u></u>

MINTO PUBLIC SCHOOL DISTRICT NO. 20
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Food Service Fund</u>	<u>Special Reserve Fund</u>	<u>Total</u>
REVENUES			
Revenue from State Sources	\$ 4,446	\$ -	\$ 4,446
Revenue from Federal Sources	93,431	-	93,431
Interest Income	-	105	105
Other Sources	<u>67,976</u>	<u>-</u>	<u>67,976</u>
TOTAL REVENUE	<u>165,853</u>	<u>105</u>	<u>165,958</u>
EXPENDITURES			
Current:			
Food Service	156,066	-	156,066
Capital Outlay	<u>6,549</u>	<u>-</u>	<u>6,549</u>
TOTAL EXPENDITURES	<u>162,615</u>	<u>-</u>	<u>162,615</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,238	105	3,343
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>9,000</u>	<u>-</u>	<u>9,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>9,000</u>	<u>-</u>	<u>9,000</u>
NET CHANGE IN FUND BALANCE	12,238	105	12,343
FUND BALANCE, BEGINNING OF YEAR	<u>11,068</u>	<u>70,210</u>	<u>81,278</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 23,306</u></u>	<u><u>\$ 70,315</u></u>	<u><u>\$ 93,621</u></u>



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Minto Public School District No. 20
Minto, North Dakota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minto Public School District No. 20 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Minto Public School District No. 20's basic financial statements and have issued our report thereon dated January 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minto Public School District No. 20's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Minto Public School District No. 20's internal control. Accordingly, we do not express an opinion on the effectiveness of Minto Public School District No. 20's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

We consider the deficiency described as 2016-001 in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as 2016-002 in the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minto Public School District No. 20's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minto Public School District No. 20's Response to Findings

Minto Public School District No. 20's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Minto Public School District No. 20's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

January 20, 2017

MINTO PUBLIC SCHOOL DISTRICT NO. 20
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Deficiency 2016-001

Condition:

The District operates its accounting function with a limited number of individuals, which precludes a proper segregation of duties.

Effect:

The District has one office employee, the business manager, who is responsible for essentially all accounting functions involved. The business manager handles all incoming monies, prepares the receipts, prepares the checks and the bank reconciliations. The business manager also records the receipts and disbursements to the journals and maintains the general ledger.

Recommendation:

Proper separation of duties should be obtained where feasible.

Response:

We concur with the auditor's recommendation; however considering the size of the entity it is not feasible to obtain proper separation of duties.

Deficiency 2016-002

Condition:

The District does not have an internal control policy designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Effect:

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Management and those charged with governance should consider the design of its internal control system and changes required to permit the preparation of the financial statements and accompanying notes.

Response:

We concur with the auditor's recommendation and will consider the risks and costs associated with the financial statement preparation.